HLIB Research
PP 9484/12/2012 (031413)

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IOI Properties Group

A new chapter of growth

BUY (Maintain)

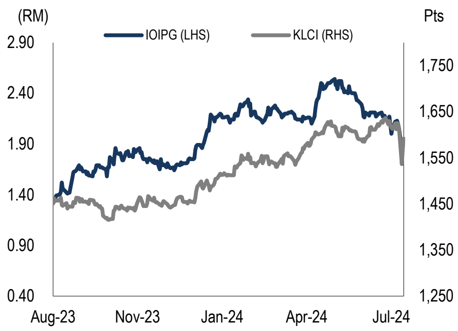
Target Price:	**RM3.60**
Previously:	RM3.30
Current Price:	**RM1.93**

Capital upside	86.5%
Dividend yield	3.1%
Expected total return	89.6%

Sector coverage: Property

Company description: IOIPG engages in property development and investment, leisure, hospitality which includes malls, hotels, resorts and golf courses with presence in Malaysia, Singapore and China.

Share price



Historical return (%)	1M	3M	12M
Absolute	-12.7	-16.5	45.1
Relative	-11.3	-15.9	33.4

Stock information

Bloomberg Ticker	IOIPG MK
Bursa Code	5249
Issued Shares (m)	5,506
Market cap (RM m)	10,627
3-mth avg. volume ('000)	9,460
SC Shariah-compliant	No
F4GBM Index member	No
ESG rating	NA

Major shareholders

Vertical Capacity Sdn Bhd	65.7%
EPF	7.6%
Amanah Saham Bumiputera	6.4%

Earnings summary

FYE (Jun)	FY23	FY24f	FY25f
PATMI - core (RM m)	640.3	720.2	836.1
EPS - core (sen)	11.6	13.1	15.2
P/E (x)	16.6	14.8	12.7

IOI Central Boulevard began operations after receiving its temporary occupation permit for Phase 1 in Apr, with Phase 3 expected in Sep. Initial revenue is anticipated from 4QFY24, and interest costs are likely to be expensed post-Phase 3. With SGD3bn in floating-rate debt for IOICB, it should benefit from expected Fed rate cuts. Marina View Residences with a GDV of SGD3.5bn will launch soon, with groundwork construction already underway. The rejuvenation of Singapore CBD should benefit IOIPG's key developments along Shenton Way. Maintain our conviction BUY call with a higher TP of RM3.60 (from RM3.30) based on 40% discount to our estimated RNAV of RM6.00.

IOI Central Boulevard commenced operations. IOI Central Boulevard (IOICB) commenced operations after receiving its temporary occupation permit (TOP) for Phase 1 in April, with Phase 3 expected in Sep. Initial revenue contribution is anticipated from 4QFY24. Interest costs are likely to be expensed post-TOP Phase 3. IOICB has SGD3bn of debt, mostly at floating rates around 4.8%. With the Fed expected to cut rates, IOIPG should benefit from lower interest costs. If rates revert to 1.5%, we estimate that IOICB could generate around RM297m annual net profit at 95% occupancy and a MYR/SGD rate of 3.35, which we think is achievable by FY27.

Marina View launching soon. Marina View Residences (MVR) with GDV of SGD3.5bn is launching soon, likely in 2QFY25. Groundworks for the project already commenced since 4QFY24. With this launch, IOIPG launch pipeline including Malaysia is likely to exceed RM14bn, making it an all-time high among local listed developers. Despite the high price tag of SGD5k psf for MVR, recent transactions in Singapore indicates that there is a market for ultra-luxury residences. This include sale of one unit of Skywaters Residences prior to its launch (450m away from MVR) at a price SGD6.1k psf. Ritz Carlton Residences (15 mins drive away from CBD), which is similarly a branded residence also had two units sold in the secondary market at SGD5.4k psf.

Rejuvenation of Singapore CBD area. Singapore's CBD faces two main challenges: (i) monocentric development dominated by office buildings leading to a vibrant atmosphere during work hours but quiet during off-hours; and (ii) aging structures that no longer meet modern standards. The URA Master Plan 2019 addresses these by introducing mixed-use developments and incentivizing the redevelopment of older buildings through the CBD Incentive Scheme. IOIPG is poised to benefit from this rejuvenation plan as its key developments (IOICB, MVR, W Hotel Singapore and Shenton House) are located at the key focus area of the rejuvenation plan along Shenton Way. Following this, its assets should see multi-year value appreciation ahead.

Net gearing concerns. Following the acquisitions of Shenton House (RM3.43bn), Tropicana Mall (RM680m), and Langkawi land (RM90.1m), the group's net gearing is expected to rise to 92.2% from 73.3% in 3QFY24. However, this figure is inflated due to the group's SGD debt (81% of total) being translated at a peak MYR/SGD exchange rate of 3.51 in 3QFY24. Using a rate of 3.35, 3QFY24 net gearing would fall to 68.3%. Anticipated revaluation gains in 4QFY24 will further reduce net gearing. Cash flow is anticipated to improve substantially ahead with new revenue streams from IOICB and other assets, along with lower interest costs aligning with expected Fed rate cuts.

Forecast. Unchanged.

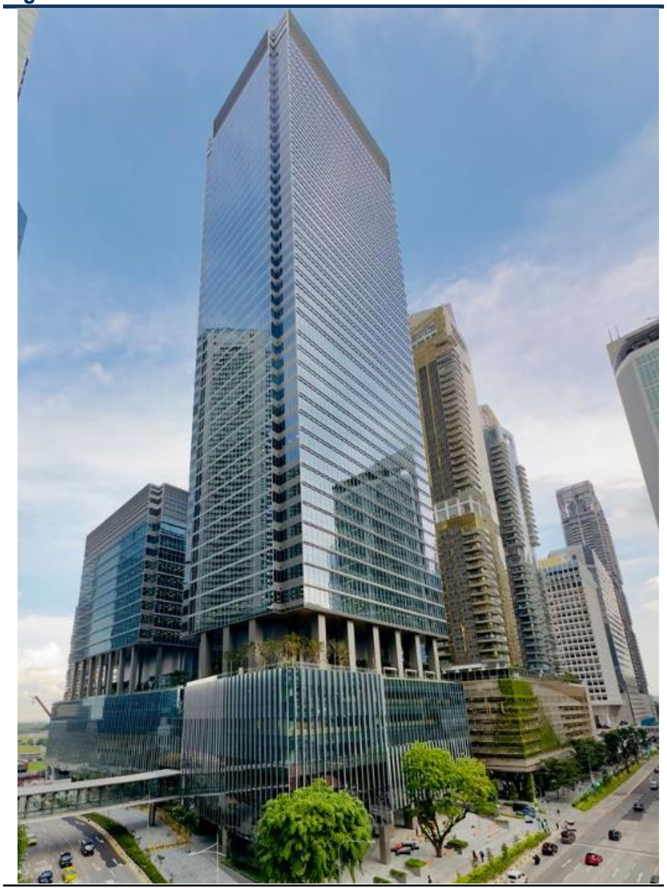
Maintain our conviction **BUY** call with a higher TP of **RM3.60** (from RM3.30) based on a lower 40% discount (from 45%) to our estimated RNAV of RM6.00. Our TP implies FY24/25/26 PER of 29/23.7/18.3x, which we deem as fair and in line with its large cap peers. The group is now at the cusp of unleashing the value from its jewel assets in Singapore namely IOICB and MVR. Following its recent acquisitions, it is now setting sight for its next phase of growth, unveiling a new chapter for the group.

Singapore

IOI Central Boulevard

IOICB commencing operations. IOI Central Boulevard (IOICB) received its temporary occupancy permit (TOP) Phase 1 in Apr 2024, TOP Phase 2 in early-July 2024 and expects to receive TOP Phase 3 in Sep 2024. As the group handed over space to its key tenants in 4QFY24 while the rental period commenced, the group is expected to start recognizing rental revenue during the quarter. On the other hand, we understand that interest expense are likely to be charged only after TOP Phase 3.

Figure #1 IOI Central Boulevard



IOIPG

Rental revenue recognition. To illustrate how the rental revenue works, as an example, for a tenant that has 24 months rental period, including 2 months of rent free period and a monthly rental of SGD130k. The rental income will be 22 months x SGD130k = SGD2.86m. This is then pro-rated over the 24 months period, and thus, the monthly rental revenue to be recognized will be SGD2.86m / 24 months = SGD119.2k per month. This monthly rental revenue will be recognized over the full rental tenure of 24 months including the rent free period of 2 months.

Sensitivity analysis of IOICB. We understand that around SGD3bn of debt are associated with IOICB mostly with floating interest rates. As such, the profitability of IOICB is very sensitive to the interest rates. We run a sensitivity analysis on IOICB PBT based on different interest rates and occupancy rates. In our analysis, we assumed a rental rate of SGD13psf, floating debt of SGD3bn, operating expenses of SGD40m and MYR/SGD rate of 3.35. Our operating expenses assumption was arrived at by assuming 80% net operating income margin for a fully tenanted building, thus, 20% of the gross rental are operating expenses, which is approximately SGD40m.

Figure #2 Sensitivity analysis of IOICB annual PBT on interest rates and occupancy rates (RM m)

	1.50	1.75	2.00	2.25	2.50	2.75	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75
50	53	28	3	-23	-48	-73	-98	-123	-148	-173	-198	-224	-249	-274
55	87	61	36	11	-14	-39	-64	-89	-114	-140	-165	-190	-215	-240
60	120	95	70	45	20	-5	-30	-56	-81	-106	-131	-156	-181	-206
65	154	129	104	79	54	29	3	-22	-47	-72	-97	-122	-147	-172
70	188	163	138	113	87	62	37	12	-13	-38	-63	-88	-114	-139
75	222	197	171	146	121	96	71	46	21	-4	-30	-55	-80	-105
80	255	230	205	180	155	130	105	80	54	29	4	-21	-46	-71
85	289	264	239	214	189	164	138	113	88	63	38	13	-12	-37
90	323	298	273	248	222	197	172	147	122	97	72	47	21	-4
95	357	332	306	281	256	231	206	181	156	131	105	80	55	30
100	390	365	340	315	290	265	240	215	189	164	139	114	89	64

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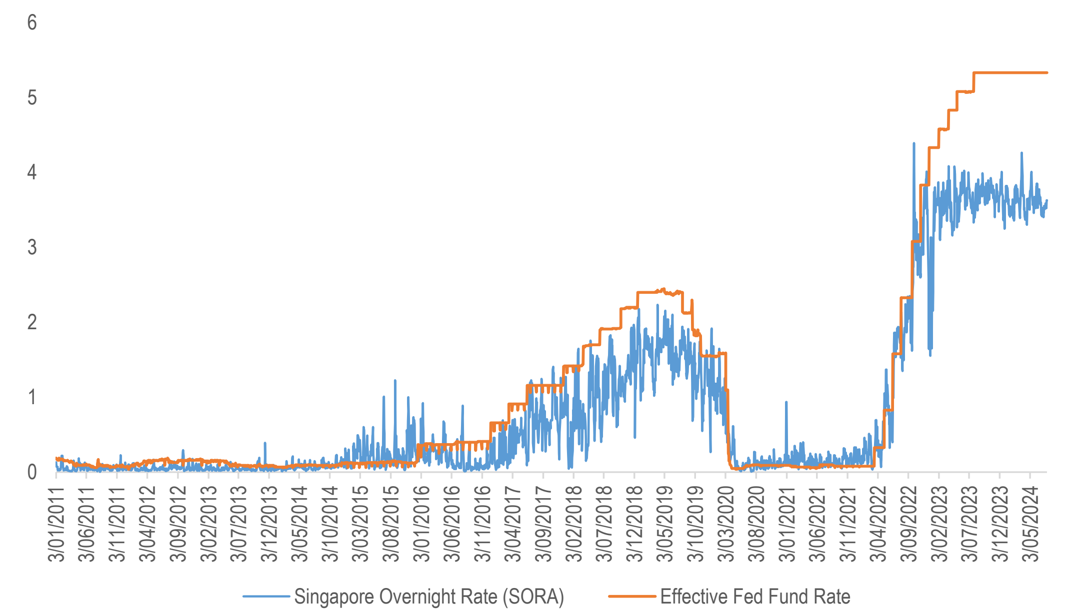
The topmost row represents interest rate (%) while the leftmost column represents occupancy rates (%).

Estimates are based on NLA of 1.29m sqft, monthly rental of SGD13psf, operating expenses of SGD40m and total debt of SGD3bn.

Singapore interest rates vs. FFR. Singapore interest rates are highly correlated with the US interest rates (see Figure #3). The reason for this correlation is because Singapore central bank – Monetary Authority of Singapore (MAS), unlike most central banks that primarily use interest rates to manage monetary policy, instead uses the exchange rate to control inflation and maintain economic stability. To prevent large capital flows that could destabilize the exchange rate, domestic interest rates often need to move in line with global rates, particularly U.S. rates. If U.S. rates rise and Singapore's rates do not follow, capital might flow out of Singapore, leading to a depreciation of the SGD. Thus, the current Singapore Domestic Interbank Overnight Rate (SORA) is at its peak and elevated level tracking the US Fed Fund Rate (FFR). For information, SORA is a benchmark interest rate introduced by MAS that is based on the volume-weighted average rate of all overnight interbank lending transactions in the unsecured Singapore dollar money market.

Figure #3 Singapore overnight interbank overnight rate vs. effective fed fund rate (%)



Bloomberg / HLIB Research

Interest rate sensitivity. Relating this back to IOIPG, as IOIPG SGD debt are mostly in floating rates, its interest cost is highly sensitive to US interest rates. We understand that the current average interest rates for IOIPG Singapore debt is around 4.8%. IOICB is likely to commence operations at a small operating profit in 4QFY24 as interest expense are likely yet to kick in during the quarter. At the same time, we also expect IOICB to recognize revaluation gain during the quarter.

Based on CME Fedwatch tool, the first rate cut is expected to be in Sep 2024, with 59.5% probability of a 50bps cut as at time of writing. By June 2025, the Fed is expected to cut its interest rate by 175 basis points (see Figure #4). Given a more dovish Fed along with this steep cut trajectory expectation, this should augur well for IOIPG. Thus, we expect the profitability of IOICB to improve at a rapid pace sequentially due to lowering interest costs as well as higher occupancy rates. We anticipate IOICB to be profitable on a full-year basis for FY25. For FY26, the profitability should improve further and we estimate it to record a net profit of around RM200-250m.

When IOIPG first drawn down its loan in 2016-2017 for the purchase of IOICB land, the interest rate was between 1-2%. Should the interest rate revert to 1.5%, our sensitivity analysis indicates that IOICB could generate around RM297m of annual net profit based on 95% occupancy rate and MYR/SGD of 3.35, which is more representative of the stable long term earnings potential of the building. We think that this is achievable by FY27.

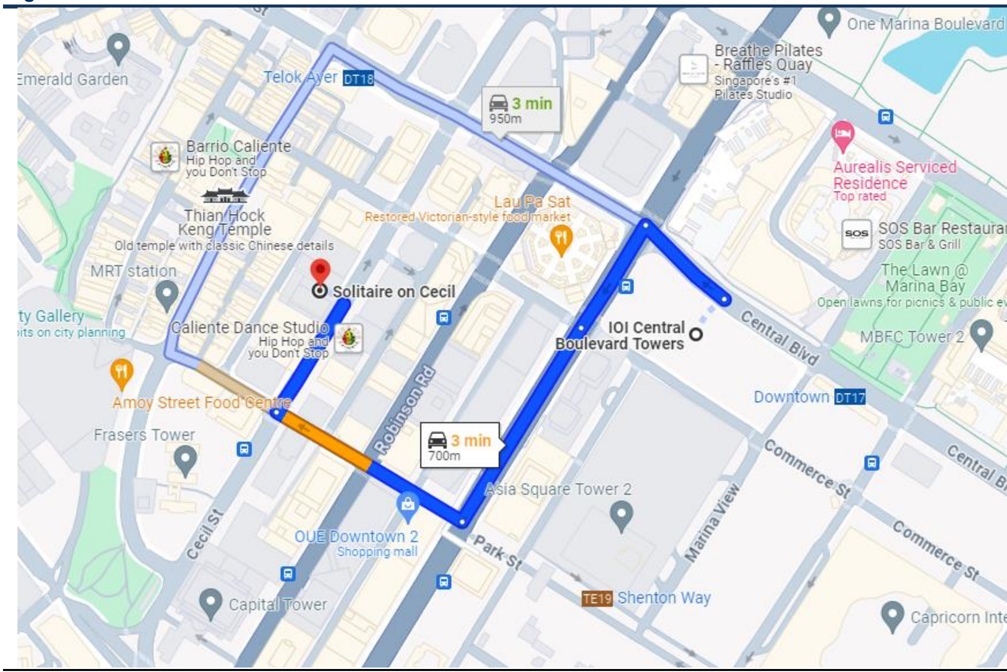
Figure #4 CME Fedwatch tool – FFR probabilities

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES										
MEETING DATE	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525
9/18/2024							0.0%	0.0%	0.0%	59.5%	40.5%
11/7/2024		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.6%	54.9%	30.6%	0.0%
12/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%	23.8%	49.3%	23.6%	0.0%	0.0%
1/29/2025	0.0%	0.0%	0.0%	0.0%	3.0%	21.5%	46.4%	26.5%	2.7%	0.0%	0.0%
3/19/2025	0.0%	0.0%	0.0%	2.7%	20.0%	44.4%	28.1%	4.6%	0.2%	0.0%	0.0%
4/30/2025	0.0%	0.0%	1.7%	13.6%	35.4%	34.1%	13.3%	1.8%	0.1%	0.0%	0.0%
6/18/2025	0.0%	1.1%	9.1%	27.2%	34.6%	21.1%	6.1%	0.7%	0.0%	0.0%	0.0%
7/30/2025	0.4%	4.3%	16.5%	30.2%	29.1%	15.0%	4.0%	0.5%	0.0%	0.0%	0.0%

CME Fed Watch Tool, as at 8 Aug 2024

Nearby office building fully sold. Recently, an office building – Solitaire on Cecil, which is located near to IOICB at 700m away with a NLA of 190k sqft was fully sold by July 2024 (see Figure #5 on the location). Solitaire on Cecil was launched in Mar 2023 and the building was fully sold in less than 1.5 years by July 2024, which indicates the strong buying interest for office space in the area. The building achieved a new record for the highest psf price for an office transaction with three floors (level 17, 18 and 20) sold to a single buyer at SGD162.8m (or SGD4,325 psf) in Apr 2023. On average, units of the office building were sold at price between SGD4-4.35k psf. If we were to use SGD4.2k psf to value IOICB, IOICB would be valued at SGD5.42bn. Using this valuation method, the revaluation gain for IOICB should be around SGD1.4bn.

Figure #5 Location of Solitaire on Cecil relative to IOI Central Boulevard



Google Maps

Revaluation gain. In our report published on [Apr 2024], we estimated that IOICB is likely to recognize revaluation gain of around SGD2bn using cap rate valuation method. This valuation is premised on the building achieving 95% occupancy rate. Using both comparable transaction (based on Solitaire on Cecil) and cap rate valuation method, the full revaluation gain could range between SGD1.4-2bn. We think valuers are likely use a combination of both methods in arriving at the fair valuation for the building.

Subsequently, in our results report on May 2024, we highlighted that the group is likely to only recognize partial revaluation gain in 4QFY24 of above RM1bn. This is because the revaluation of IOICB is earlier than our expectation as we initially expected the revaluation to come in after TOP Phase 3 or by end-FY25. Thus, when IOICB is revalued in 4QFY24, its occupancy rate is below our assumption of 95% at only around 50%. As such, we think IOICB may not be fully valued yet by FY24 and the balance of the revaluation gain may only be recognized in the next round of revaluation likely in 4QFY25 where the building should be able to achieve occupancy rate of above 90% by then.

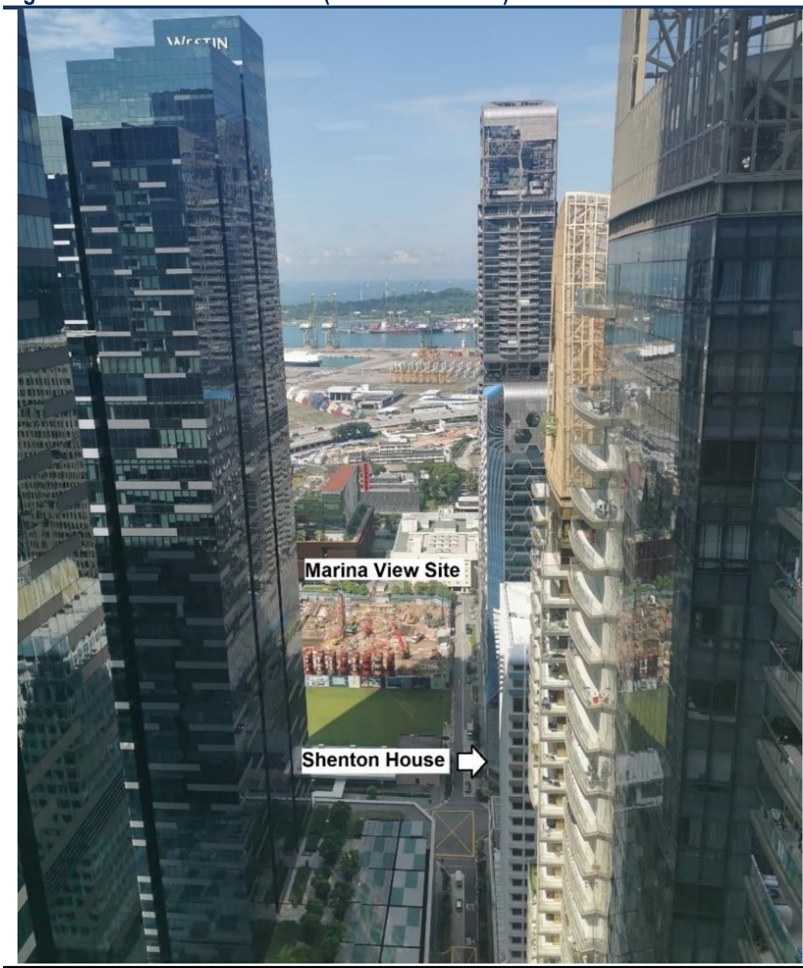
Marina View Residences

Marina View launching soon. Marina View Residences (MVR) in Singapore with GDV of SGD3.5bn and average selling price of SGD5k psf is launching soon in 1HFY25, likely to be in 2QFY25. With this launch, the total launch pipeline including launches from Malaysia from the group in FY25 could come in at above RM14bn. For Malaysia, we are expecting launches to be above RM2bn. This launch amount is an all-time high for a listed developer in Malaysia, which is more than 3x the typical size of annual launches from large cap developers.

Marketing for MVR may commence within these few months prior to the launch. From our recent visit to Singapore in May 2024, we observed that the groundwork had already commenced in Marina View site (see Figure #6). As the lower floors of the building are for W Hotel Singapore, while the upper floors are for MVR, we thus, estimate that progress billings for MVR may only come in FY26 when construction reaches the upper floors.

Make or break for Marina View. The upcoming focus for IOIPG will be on MVR. This project will be monumental for the group's development. If the project is well-received and can achieve good take-up rate, this would mean that the group will be able to recoup a large amount of capital and enjoy bumper earnings from FY26-28. For example, assuming 75% take-up, 20% net profit margin and exchange rate MYR/SGD of 3.35, this project could generate an annual earnings of RM307m over 3 years period from FY26-28 with the bulk of the recognition skewed towards FY27-28. At this quantum, the earnings from this project alone already surpasses 95% of the property developers listed on Bursa Malaysia.

Figure #6 Marina View site (view from IOICB)



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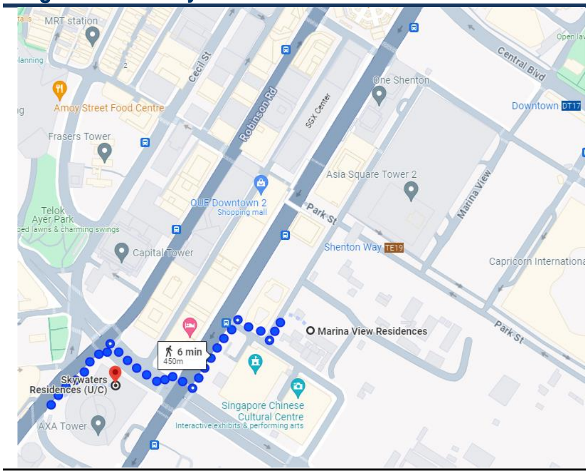
Recent transactions in the ultra-high end segment. We reiterate our view that MVR is a niche product and despite the high price point, has a market in the ultra-high net worth segment. Buyers in this segment are less price sensitive and instead prioritize in exclusivity, status symbols, luxurious amenities and prime location among other things. As such, MVR has very few comparable as it is in a different segment than most of the products in the market.

However, there was one transaction that was completed recently that was a close comparable to MVR. On 20 May, one of the penthouses at the ultra-luxury Skywaters Residences was sold at SGD47.3m or SGD6.1k psf (higher than MVR ASP of SGD5k psf). Skywaters Residences is the closest comparable to MVR given its luxurious amenities, similar pricing range and its location proximity with MVR, where it is located at just 450m away from MVR (see Figure #7). Note that this unit was sold even before the launch of the project through a private viewing event for VIPs. This transaction reinforces our view that there is a market for such ultra-luxury products.

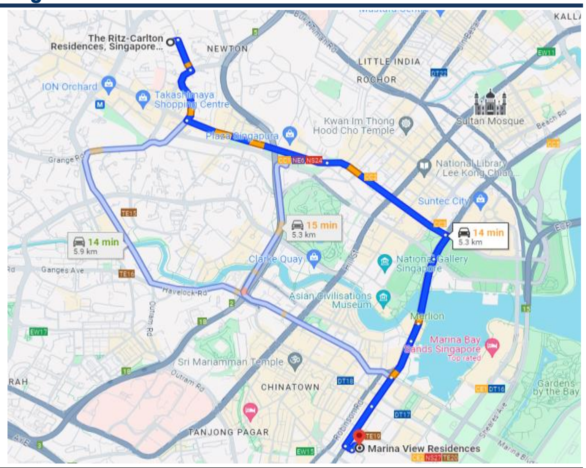
Another two comparable transactions were in Jan 2024 where two adjacent units from the luxury development of The Ritz-Carlton Residences were sold in the secondary market for SGD16.5m each or SGD5,397 psf. This project is a luxury branded residence project under the Marriott International brand, similar to MVR where MVR is also a luxury branded residence project under W Hotel brand by Marriott International. Ritz-Carlton Residences is a freehold project (vs. leasehold for MVR) but it is located further away from the core central business district (CBD) area (15 mins drive away), while MVR is located right at the center of the core CBD area (see Figure #8).

Figure #7 Skywaters Residences location



Google Maps

Figure #8 Ritz Carlton Residences location



Google Maps

Shenton House

Shenton House development. Recently, IOIPG announced that it had received a proposal from Mr. Lee Yeow Seng (Mr Lee), the Group's CEO and substantial shareholder. Mr Lee proposed for IOIPG to acquire Shenton House from his private vehicle and undertake its development. The project has an indicative development plan for office with retail units at the lower floors.

Financial consideration. In addition to the original land acquisition cost of SGD538m, there is an additional capital commitment of SGD476m, encompassing land betterment premium, lease top-up premium (for lease extension to 99 years), and transaction expenses. This will bring the effective land acquisition costs to SGD1.01bn (or RM3.40bn based on MYR/SGD exchange rate of 3.35).

Attractive acquisition. The Shenton House acquisition was attractive. Firstly, the acquisition was completed at a relaunched tender and the acquisition price of SGD538m was below the earlier reserve price of SGD590m during its first launch for sale. Secondly, Singapore Urban Development Authority (URA) is also providing incentives to developers to redevelop old buildings in the CBD area. Under the URA CBD Incentive Scheme, Shenton House is eligible for a 25% bonus gross floor area. Finally, Shenton House is the last remaining redevelopment opportunity in the Shenton Way area. With no other redevelopment opportunities available in the area, IOIPG can capitalize on the scarcity, positioning it to command premium prices and attract high-profile tenants.

Estimated NLA and rental revenue. Shenton House currently has a gross plot ratio (GPR) of 11.2 and under the URA CBD Incentive Scheme, the GPR can be increased to 14. At GPR of 14, the gross floor area for the building is 500k sqft. We estimate the NLA for Shenton House is likely to be around 425k sqft based on 85% of GFA (around 32.9% or one-third the size and NLA of IOICB).

Assuming rental rate of SGD15psf and full occupancy, the building could yield SGD76.5m gross rental revenue upon full occupancy. Assuming construction cost of SGD500m, this should give a rental yield of around 5.1%. Note that this is only a rough estimate as the actual NLA of the building is not known yet, construction cost could also vary, while rental rate also may be higher than our estimate upon building completion.

Require shareholders' approval. Mr Lee emphasized in the proposal that he will not make any personal gain from this transaction. Thus, the purchase consideration only includes the initial cost of acquisition, any upfront costs incurred for the transaction and finance costs. The transaction will first need to be approved by the board of directors and thereafter it will be put forth for shareholders' approval, likely towards 4QCY24 based on our estimation. At that time, we believe shareholders should have a clearer visibility on the project viability given IOICB, which is located nearby have already commenced operations.

A great addition to asset portfolio. We advocate shareholders to vote in favour of the project given (i) the resilient and vibrant office market in Singapore; (ii) the asset is a great addition to the group's property investment portfolio and synergistic to its other assets along Shenton Way; (iii) the assets will allow the group to be one of the largest asset owners in Singapore CBD; (iv) the promising prospects of a rejuvenated CBD in Shenton Way (explained in a later segment); and (v) gearing level is not a major risk (explained in a later segment).

Laser focus on Singapore developments

IOI Properties Singapore (IOIPG Singapore) recently announced two high profile hires, expanding its Singapore team.

Appointment of David Tibott. David Tibbott was appointed as the Managing Director for the Asset Management division since Mar 2024. David has over 20 years of experience in asset management, investment and development, including holding pivotal roles with some of Asia's leading regional developers. His responsibilities in IOIPG Singapore include managing the property investment division in Singapore, which currently includes IOICB and potentially Shenton House in the future. His immediate priority is to fill up the occupancy of IOICB. We understand that the group has a target to achieve 80% occupancy rate for IOICB by end-CY24.

Appointment of Lorraine Shiow. Subsequently, in end-May, Lorraine Shiow was appointed as the CEO of IOIPG Singapore. Miss Lorraine has over 20 years of experience in the real estate industry. Prior to joining IOIPG Singapore, she was the head of China for Fraser Property. Her responsibilities in IOIPG Singapore is to oversee the group's overall real estate portfolio in Singapore. Her immediate responsibility will be on the preparation for the launch of MVR, which includes the planning for the marketing strategy. In our recent visit to Singapore, we had the opportunity to meet with Miss Lorraine. We are particularly impressed with her deep understanding on Singapore real estate market and have benefitted from her valuable sharing of her insights on the industry landscape. This encounter reinforced our confidence that Miss Lorraine and her team has the capability to drive the next leg of growth in Singapore.

Expanding Singapore team. We are positive on these recent appointments as Singapore assets now make up more than half of the market value of the group's assets, which warrants the need for a greater focus in the segment. Admittedly, the leasing progress for IOICB had stalled upon securing the two key tenants – Amazon in July 2022 and Morgan Stanley in Apr 2023, which took up close to 40% of office space. With David coming on board, we anticipate leasing progress to regain traction. Evidently, occupancy rates had increased to 50% in 2QCY24 with around 20% more in advanced negotiations. On the other hand, the launch of MVR which falls under the purview of Miss Lorraine is also very tricky given the niche nature of the product and the current property cooling measures in place by the Singapore government. The planning for the launch timing, pricing and strategy is important as the group has only one opportunity in getting it right. The stakes are also high for this project given the sheer size of the GDV and its outsize impact to the group's earnings trajectory in the next several years.

The heart of Singapore CBD is gravitating towards Central Boulevard area

Monocentric and aging buildings in CBD. Singapore CBD has two main underlying issues that are becoming more pronounced over time. Firstly, similar to most CBD around the world, Singapore CBD area development tends to be dominated by office buildings leading to monocentric land use. This resulted in the area being vibrant and bustling during work hours but becoming significantly

quieter after office hours and on weekends. Secondly, many buildings in the CBD area are aging and no longer meet modern standards for office space, including efficiency, sustainability and technological capabilities.

Rejuvenating CBD area. These underlying issues necessitate the transformation of CBD. In Mar 2019, Singapore introduced its URA Master Plan 2019 that outlines a comprehensive, long term blueprint for Singapore's land use and development over the next 10 to 15 years. Specifically, for the CBD area, it aims to address the monocentric development and aging building challenges.

Enhancing vibrancy and liveability. Firstly, it plans to introduce more mixed-use developments to the area, including residential, retail and leisure components, making it more attractive for people to stay and engage in the area outside of working hours as well as attracting tourists to the area. Secondly, it is providing incentives for the redevelopment of older buildings, which includes the CBD Incentive Scheme that offers developers bonus plot ratio for redevelopment of old buildings into mixed-use developments that could include residential, hotel and retail components.

More green space. Another initiative from Singapore government was the Singapore Green Plan 2030 that was introduced in 2021 which outlines a comprehensive national strategy aimed at promoting sustainable development and addressing climate change. Specifically for the CBD area, it aims to integrate more nature into urban areas, introducing more green spaces and parks. It also promotes public transportation and sustainable and active mode of transportation, including incorporation of cycling and walking paths. This should help to reduce reliance on private vehicles, lowering the carbon footprint of the city.

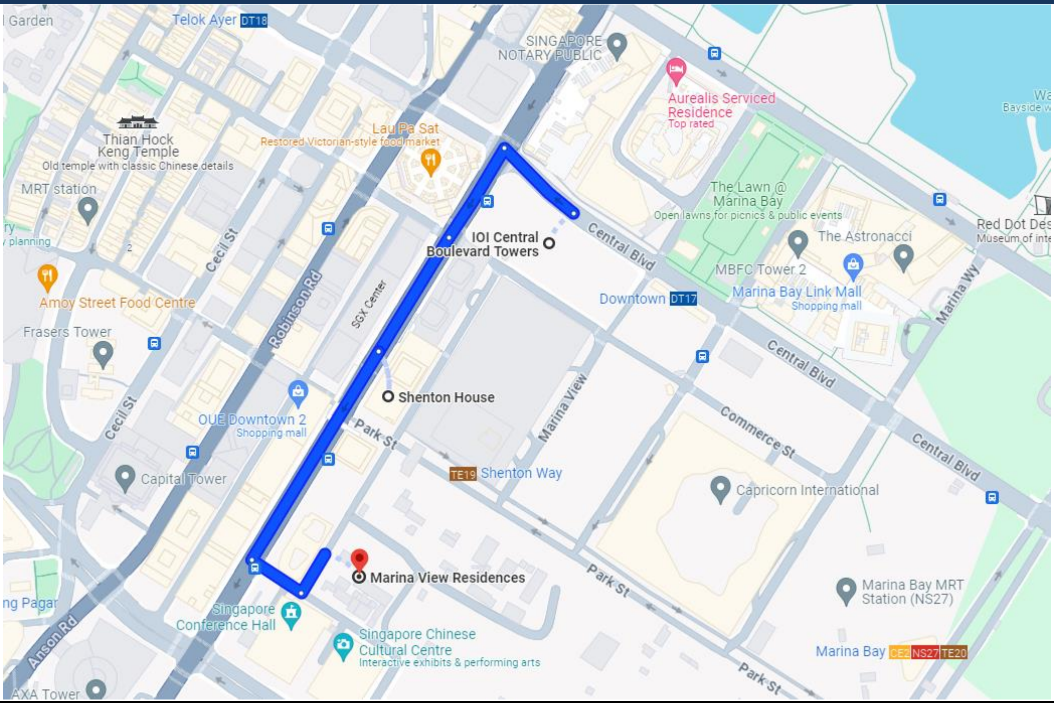
Figure #9 Artist's impression on the new rejuvenated Singapore CBD

Property Guru

Enhancing real estate value. Singapore has a remarkable track record in its urban planning which led to a sustainable rise in its real estate value. Under its URA Master Plan 2019, we envision that this could transform its CBD area into a model city for the world. The plan to rejuvenate the CBD area is visionary and in our view, could significantly enhance the liveability and real estate value in the area.

Shenton Way in the CBD area is one of areas highlighted by the URA Master Plan targeted for rejuvenation and transformation. Shenton Way houses all of IOIPG latest developments in Singapore, namely IOI Central Boulevard, Marina View Residences, W Hotel Singapore and potentially Shenton House (see Figure #10). Having painted the wider picture of the overall development vision and plan from Singapore, we can now better appreciate how IOIPG developments align and fit in with the Singapore Master Plan. Specifically, MVR and W Hotel add colours, vibrancy and diversity to the CBD, enhancing its liveability. In return, this complements well and enhances the value of the office buildings in the area, including IOICB and Shenton House.

Figure #10 Location of IOICB, Shenton House and MVR along Shenton Way



Google Maps

The heart of Singapore CBD is now at Shenton Way. Referring to Figure #11, Shenton Way as well as the area towards its southeast region are undeveloped lands and as such, provides an opportunity and more flexibility for the URA to incorporate the new elements such as mixed use developments and green spaces into the area. Comparing to the northwest region, most of these areas are already developed, thus, there are less flexibility in incorporating these new elements and redeveloping these buildings. In the past, Republic Plaza was the heart of the CBD. However, with the rejuvenation plan in Shenton Way, the heart of the CBD is now gravitating towards Shenton Way instead, which houses landmark office buildings including IOICB and Asia One Square.

Figure #11 Singapore URA Master Plan

Singapore URA

Owning a piece Singapore CBD. IOIPG is poised to become one of the largest asset owners in Singapore, specifically in the CBD area with property investment and hotel assets including IOICB, W Hotel Singapore and potentially Shenton House. It is well-positioned to benefit from the sustainable and multi-decade real estate value appreciation in the area, which is now only at the beginning given that the transformation had only just begun.

Malaysia

While Singapore may be hogging the limelight for IOIPG due to the sheer size of the asset value, this does not mean that the group is leaving behind the developments in Malaysia. In fact, the Malaysia developments are also similarly busy as evidenced by the recent strings of asset and land acquisitions done by the group. Other than this, the group is also scaling up launches in Malaysia following a more favourable turn in the domestic property market.

IOI Resort City

IOI City Mall Phase 3 expansion. The group will be commencing the construction of IOI City Mall Phase 3 expansion soon with a target to begin operations by 2028/2029 (see Figure #12). IOI City Mall Phase 1 and 2 currently has a combined NLA of 2.5m sqft, while Phase 3 expansion will further add another 1m sqft in NLA.

Luxury mall. While Phase 1 and 2 of IOI City Mall are mainly catered to the mass market customers, Phase 3 is targeted at the high-end market, envisioned to house more luxury retail brands. With this, it is possible that IOIPG may shift some of the more high-end brands currently in Phase 1 and 2 to Phase 3.

Population growth in Putrajaya. In Mar 2024, minister in the Prime Minster's Department, Dr Zaliha Mustafa announced that more than 10k units of Residensi Madani and Residensi Wilayah are targeted to be developed in Putrajaya starting this year, and expected to be completed in 2027. For Residensi Madani, prices of each unit are fixed at RM200k. As per our checking on Residensi Madani official website, there are already seven projects with 5,645 units listed for Putrajaya area. These projects are set to bring in population growth to Putrajaya which is positive for IOI City Mall given Phase 1 and 2 are catered to the mass market population. At the same time, this segment of housing are also non-competing with IOIPG residential projects in IOI Resort City due to the different pricing range as IOIPG projects are priced above RM500k, targeted at the mid-to-high end market.

Figure #12 IOI City Mall Phase 3 expansion

IOIPG

ART in Putrajaya. Recently, the automated rapid transit (ART) trackless tram had concluded its 3-month trial run in Putrajaya. One of the routes during the trial run for the ART on weekends connects Putrajaya Sentral MRT station to IOI City Mall. Putrajaya Corporation collaborated with the Transport Ministry and its agency, the Malaysian Institute of Road Safety Research, in coordinating and evaluating the pilot project, aimed at supplementing the existing public transport system in the administrative capital. If the ART is successfully implemented, it would enhance the public transport network and form an important connector between nearby MRT station and IOI City Mall, which should enhance footfall to the mall.

Figure #13 ART in Putrajaya

The Star

HSR – connecting Putrajaya to KL and Singapore. Recently in July, transport minister Anthony Loke shared that the government had shortlisted three out of seven consortiums that submitted proposals for request for information on high speed rail KL-Singapore (HSR). He expressed hope that Malaysia's cabinet could decide on the viability of the project by end of 4QCY24. Thereafter, it can proceed with negotiations with Singapore.

Potential landing point at Putrajaya. According to the official HSR website, the proposed HSR alignment includes a station for 'Sepang-Putrajaya'. We understand that this is the previous alignment which may be subject to change and it is not finalized yet. If however, there is a landing point at Putrajaya, this should augur well for IOI Resort City township as Singaporeans would be able to travel to IOI City Mall to shop and this should especially be positive for its upcoming Phase 3 expansion given the high spending power of Singaporeans. The group's hotel assets surrounding the mall should also benefit as well.

Figure #14 HSR KL-Singapore alignment (from myHSR website)

myHSR.com.my

Civil servant pay hike. Recently on 1 May, PM Anwar announced two new measures for civil servants under the revamped Public Service Remuneration System (SSPA), including (i) civil servants will receive the highest ever increase in remuneration at a rate of more than 13%; and (ii) minimum income of civil servants will be increased to RM2k (+13.3% from the current RM1,765). More recently, on 7 Aug, Minister of Communications and Digital Fahmi Fadzil announced that civil servants may receive up to a 42.7% pay hike under SSPA. The salary increase is expected to be between 15-42.7%, with lower-grade civil servants receiving the highest increments. More details

would be announced at the 19th Majlis Amanat Perdana Perkhidmatan Awam event on 16 Aug. The revamped scheme will be implemented for Dec salary this year.

IOI Resort City – a winner. Putrajaya is the administrative capital of Malaysia with >100k population as at 2020, mainly populated by civil servants. This meaningful hike in salary will boost the spending power of civil servants in Putrajaya. Thus, this should augur well for IOI Resort City township in Putrajaya for both residential demand as well as retail demand in its IOI City Mall.

Tropicana Gardens Mall

Acquisition of Tropicana Gardens Mall. IOIPG recently announced in July 2024 the acquisition of Tropicana Gardens Mall with NLA of 1.05m sqft from Tropicana for a purchase consideration of RM680m. The acquisition is expected to be completed in 3QFY25. The acquisition price of RM647psf is a bargain purchase, representing a discount of 28% from the carrying value of the mall of RM944m on Tropicana books. At a price of RM647psf, this is even lower than the residential units in the surrounding area. We think IOIPG was able to secure this purchase at a good price due to its en-bloc purchase of several large assets from Tropicana as well as the mall is currently loss making.

Attractive acquisition. The mall currently has an occupancy rate of 77% and approximately RM5psf rental rate. With this, its annual gross rental revenue is around RM48.5m, representing a gross yield of 7.1% based on the acquisition cost. For illustrative purposes, If IOIPG were to construct a new mall (vs. acquisition), it would likely incur much higher construction cost (vs. acquisition cost) and also going through several years of non-income generating period while spending on the capex.

Enhancing the value of the mall. The value of this acquisition lies in IOIPG ability in enhancing the occupancy rate, tenant mix and rental rates. Note that the mall commenced operations during Covid in Mar 2020, which likely led to the lower rental rate that it commands currently. We anticipate that in one year time, IOIPG could bring the occupancy rate to above 95%, leveraging on its network and close connection with retail brands. We also estimate that after approximately two rounds of rental reversion (5-6 years' time), rental rate psf could go up to RM8-9psf. With this, its gross rental revenue could increase to RM95.8-107.7m. At RM96m, the rental revenue would be approximately doubled from currently.

Strong track record in mall management. We are confident that IOIPG would be able to enhance the value of the mall. To illustrate this point, IOIPG built IOI City Mall in Putrajaya in 2014 on a greenfield location with low population catchment and road infrastructure that was not well developed. Fast forward 10 years later, the mall is now the largest mall in Malaysia and is currently thriving with very strong footfall. IOI City Mall currently has a blended rental rate of around RM10.8psf at 99% occupancy rate. Tropicana Mall holds a lot of potential as when compared to IOI City Mall, it has a much more strategic location with (i) larger population catchment; and (ii) better connectivity with direct connection to Surian MRT station.

Figure #15 Tropicana Gardens Mall

Photo by Zahid Izzani/The Edge

Semiconductor IC Design Park is in PFCC

Semiconductor IC design park. On 7 Aug, the Malaysia Semiconductor IC Design Park was launched in Puchong. The aim of the park is to to enhance its semiconductor industry and attract foreign investments. Economy Minister Rafizi Ramli emphasized the growing demand for semiconductors driven by data centres and expressed a desire for Malaysia to produce locally designed chips. The park is designed to house more than 400 IC design engineers from five local, international, and JV IC design companies. It includes anchor tenants Maistorage, Skyechip, Weeroc, AppAsia ChipsBank, SensoremTek Sdn Bhd and supported by ecosystem partners such as BlueChip VC, ARM Holdings, Cadence Design System, Synopsys, Siemens EDA and Keysight and Shenzhen Semiconductor Association.

IC park located in IOIPG township. We understand that the Malaysia Semiconductor IC Design Park is located in IOIPG office towers – Puchong Financial Corporate Centre (PFCC) in Puchong located within IOIPG Bandar Puteri Puchong township. It will take up space of around 45k sqft, which translates to an annual gross rental revenue of RM2.7m based on our estimated rental of RM5 psf. While the revenue contribution is minimal for the group, we think that the setup of this IC Park is a good start and may attract other related and supporting industries in the future. This development is also positive for the group residential projects in the township, which has 142 acres and RM12.8bn of GDV remaining. The group recently launched 2 Rio Residence high-rise apartments with 632 units and GDV of 470m in 3QFY24 as well as Skyloft Avenue commercial shop and office lots in 4QFY24.

Figure #16 PFCC office buildings in Puchong by IOIPG

IOIPG

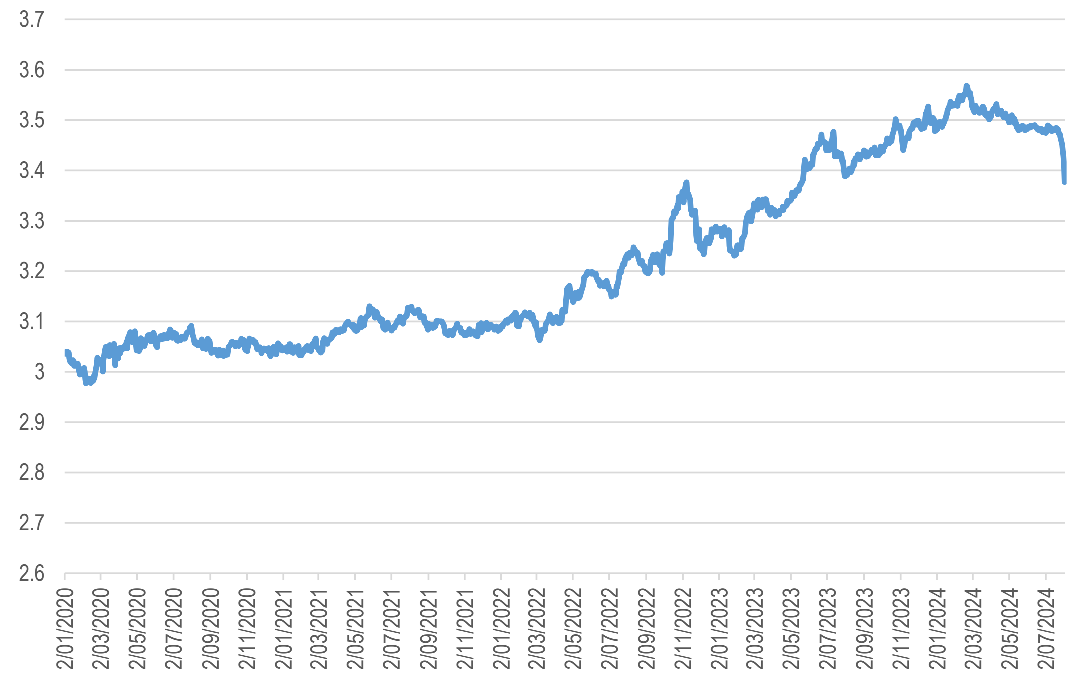
Gearing level concerns

Following several of recent large acquisitions announced by IOIPG, there are concerns from investors on the group's net gearing level. After accounting for Shenton House acquisition (RM3.43bn), Tropicana Mall (RM680m) and Langkawi land (RM90.1m), our pro forma calculation indicates the group's net gearing to increase to 92.2% from 73.3% in 3QFY24. While we have addressed this concern several times before, nonetheless, given that this is a persistent concern, we attempt to provide yet another view as below on this issue.

Inflated net gearing number. Firstly, the net gearing level appears to be high currently is partly due to the strength in SGD. Given that 81.4% of debt were in SGD in 3QFY24, when this was translated to MYR terms, the debt swelled to a large sum as magnified by the exchange rate impact. In 3QFY24, the SGD debt was translated at the peak and elevated MYR/SGD rate of 3.51, resulting in net gearing level of 73.3%. For illustrative purpose, if this was instead translated at MYR/SGD

rate of 3.35, then net gearing would fall to 68.3%. In recent weeks, MYR has been strengthening against SGD and is currently below the rate of 3.4.

Figure #17 MYR/SGD rate



Bloomberg / HLIB Research

Revaluation gain will lower net gearing further. Secondly, we are anticipating the group to recognize a sizeable amount of revaluation gain in 4QFY24, which may lower the net gearing level further.

Delving deeper into the number. In any case, net gearing level is only a metric that provides us with a gauge on the level of debt the group has. Beyond this number, how much debt can a company comfortably takes on also depends on the income profile, asset quality and earnings quality of the company. Typically, for property developers, there is higher risk to gear up too much. The ability of a property developer to service its interest and debt repayment relies on how much cash flow it can generate from property sales. Thus, in the event of a negative turn in sector sentiment, sales would slow, and thus cash flow and ability to service debt would also be negatively impacted.

Conversely, for a company where income are generated from property investment assets, the cash flow are more stable and thus risks are also lower. For example, for malls and offices, tenancy agreements are usually locked in for several years at a fixed rate, allowing predictability on the cash flow from these assets. This is also why companies with a stable and recurring income profile are more comfortable in gearing up. For instance, the metric used for gearing calculation as prescribed by the Securities Commission of Malaysia (SC) is total borrowings divided by total assets, with a limit to gear up to 50%.

Recurring income profile. In the case of IOIPG, its income profile in recent years is shifting more towards malls, offices and hotels. Thus, it should not be viewed as a pure play property developer with net gearing level benchmarked against these peers. As an alternative measure, if we look at the gearing ratio using formula from REITs, after including the recent acquisitions of Shenton House, Tropicana Mall and Langkawi Resort, its gearing ratio would be at 47.7%, which is within SC limit. Furthermore, we note that for REITs in Malaysia, there is a requirement by SC to distribute more than 90% of its income to maintain tax free status. For IOIPG, there is no such constraint, thus it has more flexibility in retaining these capital and thus has lower credit risks.

Sales from completed inventories. On the other hand, for its property development segment, it is also different from other property developers. As the group has a high level of completed inventories, a large part of the group's current sales composition are from completed inventories. For any sales generated from these completed inventories, it would generate full cash flow equivalent to the sales amount with no additional capital investment needed. This is in contrast to sales from new projects where capital investment is needed while cash flow are progressive and are generated over the construction period of 3-4 years. Other than this, most of the group's new and ongoing projects are coming from its mature townships, where these projects require less

capital investment for infrastructure and supporting amenities compared to a new township development, thus, having less strain on its cash flow.

Stronger cash flow ahead. Finally, looking ahead, from a cash flow perspective, it is also anticipated to improve substantially with the new stream of revenue coming from IOI Central Boulevard and other assets. The group should have surplus cash flow from IOI Central Boulevard starting from 3QFY25 onwards, which is just in time for it to take on its next project – Shenton House. Its interest rates are also expected to lower substantially following the rate cuts from the US, which should considerably ease its financial burden.

Strong credit rating. We understand that for its recent hotel acquisitions, which were completed via cash, there are several banks that approached the group to offer financing solutions, indicating the group remains bankable. Its current average interest rates remain at a comfortable level of around 5%, with expectation that this will lower further ahead. If banks view the group to have high credit risk, its debt interest rates would have been much higher, while financing and refinancing of its projects would also be difficult, but this is not the case for the group. Based on MARC latest assessment of the group's RM3bn sukuk, it assigned a rating of AAIS, where AAIS rating indicates a very strong capacity to meet financial commitments.

Not a major concern. Thus, due to the stable and recurring income profile, its strong asset quality, higher revenue stream and lowering interest costs, we think that the credit risk for the group is low. Furthermore, our pro forma calculation that indicates the net gearing level to go above 90% did not take into account the exchange rate trajectory and revaluation gain and thus is overstated. Overall, we anticipate the group's net gearing to temporarily go slightly above 80% upon the injection of Shenton House and thereafter lower to below 80% once the second round of revaluation gain from IOICB is recognized in end-FY25.

Not the right time to REIT yet

Amid growing concern on the group rising net gearing level, there is increasing stakeholder pressure for the group to list some its property investment and hotel assets to reduce its gearing level. In our view, it is not the right time for the group to consider a REIT listing yet.

Not the right time yet. Firstly, as we have explained extensively in the previous section, the group is not currently in a distressed position that warrants an urgent need of capital to de-gear. In fact, the group financial burden is expected to ease ahead with the expected substantial lowering of interest rates as well as the commencement of new stream of revenue from IOI Central Boulevard and other assets. Secondly, we are of the view that the group's two largest and landmark assets, namely IOI Central Boulevard and IOI City Mall are not ready for a REIT listing yet.

IOI Central Boulevard. For IOI Central Boulevard, as we have highlighted earlier, the asset is currently only at 50% occupancy rate and as such had yet to reach its full potential and market value. Furthermore, the prospects of the asset remains promising as Shenton Way is expected to increase in vibrancy following Singapore government efforts to rejuvenate the area, which should lift its asset value. The group had gone through 7 arduous years in constructing the asset including navigating through the Covid period as well as the high interest rate environment in the recent two years.

Its decision previously to retain 100% ownership of this asset and not developing it through a JV had proven to be a correct decision, given how strong the office rental market is now for the CBD area. As such, we are of the view that it should not let go of its ownership stake now for this hard earned asset through a REIT listing, especially given that there is still a lot of room for asset value appreciation ahead.

IOI City Mall. Similarly for IOI City Mall, we also hold the same view that the asset had yet to realize its full market potential yet for a REIT listing. As at 3QFY24, IOI City Mall Phase 1 (1.5m sqft NLA) has an occupancy rate of 99% and rental of RM11.90 psf, while Phase 2 (1m sqft NLA) has an occupancy rate of 95% with rental of RM9.70 psf. The mall enjoys very strong footfall of around 3m visitors per month. For perspective, this is close to 10% of Malaysia population size visiting the mall in a month! We do note that, some of these are repeated footfalls, while some are tourists. In our recent visit to the mall on a non-festive weekday during non-peak hour, the footfall in the mall was still very strong. On weekends, we understand that the mall is packed, with visitors in the mall walking shoulder to shoulder.

IOI City Mall has now risen to become a well-established and well-recognized mall that sits at the top of the range in terms of brand name together with the likes of Pavilion KL, Sunway Pyramid and Mid Valley KL. Despite the strong brand name and footfall, we observed that the mall rental rate still has a wide discrepancy with other top tier malls in Klang Valley. For example, for the non-central region malls such as Sunway Pyramid and Mid Valley KL, these malls are commanding rental rates between RM16-18 psf. Thus, in our view, there is still plenty of room for rental upside, with potential to bring rental rates to above RM15 psf in 5-6 years' time.

IOIPG may still proceed with a REIT listing with its other assets, but we think that a REIT without its signature assets of IOI Central Boulevard and IOI City Mall may be less attractive to investors.

Other available options for financing. Following the pecking order theory in corporate finance, a firm should prioritize internal financing and debt financing before considering equity financing. In any case, if ever there is a need for capital raising, we think there are other better ways available for the group. For example, CDL in Singapore recently relaunched its project in Sentosa Cove at 40% discounted price and managed to sell a lot of units. Should there be a need for capital raising, IOIPG could also emulate this for its projects under its JV – namely Cape Royale and Sentosa Cove, especially given that these projects are on leasehold and thus, there is a time decay in value component for these assets. These two projects were completed in 2013.

Events timeline and earnings outlook

We summarize below the timeline for some of the group's key events and milestones, with some of them based on our estimation.

New revenue streams. Other than IOICB, the group also has several new revenue streams commencing in upcoming quarters. In 4QFY24, the group will see full quarter contribution from W Hotel KL and Moxy Hotel Putrajaya. In 1QFY25, new revenue will come from Courtyard Hotel Penang, IOI Business Park Office in Xiamen and new tenants contribution in IOI City Tower 1, Putrajaya and new tenant contribution in PFCC, Puchong. Additionally, Putrajaya Marriott and Palm Garden Hotel in IOI Resort City had also completed refurbishments in June 2024, and thus, should see full quarter contribution starting from 1QFY25.

Figure #18 Timeline for IOIPG key events and milestones

Timeline	Event and key milestones
2QCY24	- IOI Central Boulevard receives Temporary Occupation Permit Phase 1 in Apr 2024 and commences operations - Rental contribution from IOI Central Boulevard commences - Partial revaluation gain recognized for IOICB - First full quarter contribution from W Hotel - Construction of W Hotel Singapore / Marina View commences
3QCY24	- IOI Central Boulevard received TOP Phase 2 in July 2024 and expects to receives TOP Phase 3 in Sep 2024 - Melaka land sale completion with proceeds of RM132m and estimated net gain of around RM70m - Courtyard Hotel, Penang (199 rooms) acquisition completed in July 2024 - Commencement of rental contribution from IOI Business Park Office in Xiamen, China (371k sqft NLA) with 100% tenancy at around RM2psf rental - Commencement of rental contribution from new major tenants in IOI CIty Tower 1 (around 193k sqft NLA) at around RM5psf - Commencement of rental contribution from Selangor Integrated Circuit Design Park (around 45k sqft NLA). Current PFCC occupancy rate is 60% with rental psf of RM4+ psf.
4QCY24	- Launch of Marina View Residences with GDV of SGD3.5bn by 2HCY24, we estimate this to be in 4QCY24 - Sheraton Grand Hotel in Xiamen, China (370 rooms) completes construction - Pantai Kok, Langkawi land acquisition (RM90.1m) completion - Shenton House proposal likely to put forward for voting in EGM around this time (our estimation)
1QCY25	- Expects IOI City Mall Phase 3 commence construction by early CY25 (our estimation) - Tropicana Gardens Mall, PJ, Selangor acquisition (RM680m) completion
3QCY25	- Pantai Kok Resort will commence construction in 2025 (our estimation by 2HCY25)
4QCY25	- Shenton House construction commences towards end-CY25 based on our estimation (provided proposal approved by shareholders)

HLIB Research

Earnings outlook. In 4QFY24, we anticipate IOIPG to report strong headline profit that includes revaluation gain from IOICB, which we estimate could be above RM1bn. Contribution from IOICB to the core profit should be minimal. Moving into 1QFY25, the group should see a strong quarter from Melaka land sale gain as well as a sharp turnaround for its hospitality segment from the contribution of its newly refurbished and acquired hotels – Palm Garden, Putrajaya Marriott and Courtyard Penang. For 2QFY25, the group may see some operating losses from IOICB as interest

are expensed, nonetheless, this should be cushioned by a seasonally stronger quarter from its hospitality segment. In 1HFY25, the group property investment and hotel assets also benefit from the lowering of ICPT rate by 1 sen per kWh for commercial electricity tariff rates.

Entering a new phase of growth

The late Tan Sri Dato' Lee Shin Cheng founded IOI Properties in the 1990s and expanded its footprint developing major townships, shopping malls, and office buildings spanning Malaysia, Singapore and China. Mr Lee Yeow Seng (Mr Lee) was appointed as the group CEO on 1 July 2023, taking over from Datuk Voon Tin Yow who served as the CEO from Apr 2020 – June 2023. This marked Mr Lee second stint in this position, where he previously served at the same position from Jan 2014 – Apr 2020.

"If I have seen further, it is by standing on the shoulders of giants." – Sir Isaac Newton.

End of a capex cycle. Mr Lee took over the helm at a time when the group was in a transitional period. As we have highlighted earlier, 81% of the group's debt are denominated in SGD. This signifies that in the past few years most of the group's capital were tied up in two of its investments in Singapore, namely IOI Central Boulevard and Marina View, which were non-income generating. IOICB had commenced operations since Apr while MVR is slated to be launched soon.

New phase of growth. As the value of these assets unlock, the group should see a significant lift in earnings in the coming years. At the same time, its asset base will expand, while it recoup a significant amount of capital. All these should position the group for its next phase of growth.

A glimpse of future growth. The recent acquisitions and announced expansion plans provide us with a glimpse and clearer visibility of the group's future growth trajectory. Mr Lee's leadership thus far has shown that the group is relentless and aggressive in its growth. As such, investors can be reassured that the group is proactive and is constantly on the lookout for attractive expansion opportunities. At the same time, investors should also be prepared that the group's net gearing is likely continue to stay elevated due to the pursuit of these opportunities.

Change in investor profile. The stock has seen recent weakness following the group's series of acquisition which raised concerns on its net gearing level. As the cat is now out of the bag after the announcement of these acquisitions, we believe that investors who are not comfortable with the group's direction would have taken the opportunity to trim their position in the stock. Thus, we view the recent share price weakness as a shifting in investors profile with the stock changing hands from investors who are not comfortable with the group's net gearing level to those who are comfortable with it and see value in the group's aggressive expansion drive and new ventures.

Forecast. Unchanged.

Maintain our conviction **BUY** call with a higher TP of **RM3.60** (from RM3.30) based on a lower 40% discount (from 45%) to our estimated RNAV of RM6.00. Our TP implies FY24/25/26 PER of 29/23.7/18.3x, which we deem as fair and in line with its large cap peers. The group is now at the cusp of unleashing the value from its jewel assets in Singapore namely IOI Central Boulevard and Marina View Residences. Following its recent acquisitions, it is now setting sight for its next phase of growth, unveiling a new chapter for the group.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Jun	FY22	FY23	FY24f	FY25f	FY26f
Cash	2,351.1	2,711.4	5,220.5	5,929.0	6,062.5
Receivables	901.0	549.7	662.3	834.4	1,266.9
Inventories	3,051.7	2,413.5	2,907.7	2,695.7	2,456.0
Others	33,197.6	36,949.4	34,526.0	34,195.9	34,540.3
Assets	**39,501.4**	**42,624.0**	**43,316.4**	**43,655.0**	**44,325.7**
Payables	1,116.5	1,441.7	1,736.9	1,617.4	1,637.3
Debt	16,816.7	17,863.9	17,863.9	17,863.9	17,863.9
Others	957.6	877.9	877.9	877.9	877.9
Liabilities	**18,890.8**	**20,183.5**	**20,478.6**	**20,359.2**	**20,379.1**
Shareholder's equity	20,452.6	22,292.3	22,682.1	23,132.9	23,776.3
Minority interest	158.0	148.3	155.6	163.0	170.3
Equity	**20,610.6**	**22,440.6**	**22,837.8**	**23,295.8**	**23,946.6**
Liabilities & Equity	**39,501.4**	**42,624.0**	**43,316.4**	**43,655.0**	**44,325.7**

Cash Flow Statement

FYE Jun	FY22	FY23	FY24f	FY25f	FY26f
Profit before taxation	1,102.8	1,619.8	1,106.3	1,323.3	1,741.8
D&A	49.7	63.2	65.7	66.3	67.0
Working capital	578.1	227.8	2,245.5	331.5	(472.3)
Taxation	(893.6)	(233.4)	(378.7)	(479.9)	(650.5)
JV & Associates	(166.9)	(296.8)	(99.3)	(47.3)	-
Others	24.2	175.1	-	-	(12.0)
CFO	**694.3**	**1,555.8**	**2,939.4**	**1,194.0**	**674.0**
Capex	(1,522.0)	(166.5)	(100.0)	(100.0)	(100.0)
Others	(3,724.1)	(9.6)	-	-	-
CFI	**(5,246.1)**	**(176.1)**	**(100.0)**	**(100.0)**	**(100.0)**
Changes in debt	5,543.4	(101.7)	-	-	-
Shares issued	-	-	-	-	-
Dividends	(110.1)	(220.2)	(330.4)	(385.4)	(440.5)
Others	(395.4)	(735.5)	-	-	-
CFF	**5,037.9**	**(1,057.4)**	**(330.4)**	**(385.4)**	**(440.5)**
Net cash flow	**486.0**	**322.3**	**2,509.1**	**708.6**	**133.5**
Forex	16.8	38.0	-	-	-
Others	-	-	-	-	-
Beginning cash	1,848.2	2,351.1	2,711.4	5,220.5	5,929.0
Ending cash	2,351.1	2,711.4	5,220.5	5,929.0	6,062.5

Income statement

FYE Jun	FY22	FY23	FY24f	FY25f	FY26f
Revenue	**2590.3**	**2593.1**	**3124.0**	**3935.7**	**5976.2**
Operating cost	(1623.1)	(1253.5)	(2110.5)	(2694.9)	(4285.7)
EBITDA	**967.3**	**1339.5**	**1013.4**	**1240.8**	**1690.5**
D&A	(49.7)	(63.2)	(65.7)	(66.3)	(67.0)
Net Interest	8.4	46.7	59.2	101.6	106.3
JV & Associates	166.9	296.8	99.3	47.3	12.0
Pretax profit	**1102.8**	**1619.8**	**1106.3**	**1323.3**	**1741.8**
Taxation	(414.7)	(219.4)	(378.7)	(479.9)	(650.5)
Minority Interest	1.3	7.3	7.3	7.3	7.3
PATAMI	686.7	1393.0	720.2	836.1	1083.9
Exceptionals	(28.2)	752.7	0.0	0.0	0.0
Core Earning	**715.0**	**640.3**	**720.2**	**836.1**	**1083.9**
Basic shares (m)	5506.1	5506.1	5506.1	5506.1	5506.1
Diluted shares (m)	5506.1	5506.1	5506.1	5506.1	5506.1
Consensus core PATMI			712.3	855.5	984.2
HLIB/ Consensus			101%	98%	110%

Valuation ratios

FYE Jun	FY22	FY23	FY24f	FY25f	FY26f
Net DPS (sen)	4.0	5.0	6.0	7.0	8.0
Yield (%)	2.1	2.6	3.1	3.6	4.1
Core EPS (sen)	13.0	11.6	13.1	15.2	19.7
P/E (x)	14.9	16.6	14.8	12.7	9.8
Market capitalization (m)	10626.9	10626.9	10626.9	10626.9	10626.9
Net cash (m)	(14465.6)	(15152.5)	(12643.4)	(11934.9)	(11801.4)
Net gearing (%)	0.71	0.68	0.56	0.52	0.50
BV / share	3.7	4.1	4.1	4.2	4.3
P/BV (x)	0.5	0.5	0.5	0.5	0.4
ROA (%)	1.8	1.5	1.7	1.9	2.4
ROE (%)	3.5	2.9	3.2	3.6	4.5
Enterprise value	25092.4	25779.3	23270.3	22561.7	22428.2
EV/ EBITDA (x)	25.9	19.2	23.0	18.2	13.3

HLIB Research, Company

Figure #19 RNAV Table

Projects	Stake (%)	Remaining GDV (RM bn)	NPV (RM m)
Ongoing projects			
Malaysia			
Central and Others		**45.1**	**2,954.0**
Bandar Puchong Jaya	100%	0.9	
Bandar Puteri Puchong	100%	12.3	
Bandar Puteri Bangi	100%	5.5	
IOI Resort City	100%	15.0	
16 Sierra, Puchong South	100%	6.5	
Bandar IOI, Bahau	100%	0.1	
Warisan Puteri Sepang	100%	2.7	
UIU Industrial Park, Banting	100%	2.1	
			748.6
Southern		**7.9**	
Bandar Putra Kulai	100%	4.8	
Bandar IOI Segamat	100%	0.5	
Taman Lagenda Putra	100%	0.1	
Taman Kepas Utama	100%	0.8	
i-Synergy, Senai	100%	1.8	
China		**0.7**	**553.8**
IOI Palm City	100%	0.1	
IOI Palm International Parkhouse	100%	0.6	
Singapore		**14.5**	**1,457.7**
Seascape @ Sentosa Cove	50%	1.0	
Cape Royale @ Sentosa Cove	65%	4.6	
Marina View	100%	8.9	

Breakdown of investment properties

Investment properties	BV (RM m)	NLA ('000 sqft)
IOI City Mall, Putrajaya	2,125.6	1,482
IOI City Mall (Phase 2), Putrajaya	1,235.5	1,044
IOI Mall, Xiamen	789.1	639
IOI Mall, Bandar Puchong Jaya	465.0	641
IOI Mall (New Wing)	253.0	261
Central Boulevard Singapore	11,819.6	1,292
IOI City Tower 1 and Tower 2 Putrajaya	366.2	967
Conezion IOI Resort City	317.0	925
PFCC Tower 1 and 2	138.7	379
PFCC Tower 4 and 5	244.0	504
One IOI Square and Two IOI Square	155.9	434
IOI Business Park, Xiamen	159.7	371
Lot PT 92 Pekan Bukit Bisa, Sepang	370.0	*
Bungalow (Beverly Row) IOI Resort City	120.0	268
Hospitality and Leisure	**BV (RM m)**	**Built- up ('000 sqft)**
Le Méridien Putrajaya	172.2	326.0
IOI Palm Garden Golf Club, IOI Resort City	195.2	171.0
Putrajaya Marriot Hotel, IOI Resort City	147.6	1,521.0
Four Points by Sheraton Puchong, Bandar Puchong	97.5	242.0
Palm Garden Hotel, IOI Resort City	70.7	130.0
Sheraton Grand Jimei District	345.4	*
Marina View Hotel	1,523.1	*

Total NPV	5,714.1
Shareholders funds	27,292.3
RNAV	**33,006.3**
Share base	5,506.1
RNAV/share	5.99
Discount	40%
Discounted RNAV/share	**3.60**

Company, HLIB

*Property under construction

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.